


Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Philip H. Mendelson
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: October 9, 2012

SUBJECT: Fiscal Impact Statement – “NoMA Residential Development Tax Abatement Amendment Act of 2012”

REFERENCE: Bill Number 19-670 – Draft Committee Print, shared with the Office of Revenue Analysis on March 29, 2012

Conclusion

Funds are sufficient in the proposed FY 2013 through FY 2016 budget and financial plan to implement the proposed bill.

Background

The bill amends current law¹ to remove the limit on the number of residential units that may be approved for the NoMA residential tax abatement program. Currently, there are two separate caps on the program: one limits the total dollar amount that can be spent to \$5 million a year, up to \$50 million over the life of the program, and the other limits to 3,000 the total number of units that can receive the abatement. This bill repeals the cap on the total number of units that can qualify but retains the cap on the total dollar amount that can be spent.

The bill also extends the deadline for applying for the program by one year from December 31, 2012, to December 31, 2013.

¹ NoMA Residential Development Tax Abatement Act of 2009”, effective July 7, 2009 (D.C. Law 18-10; D.C. Official Code § 47-859.01 *et seq.*).

Financial Plan Impact

Funds are sufficient in the proposed FY 2013 through FY 2016 budget and financial plan to implement the proposed bill.

Removing the cap on the maximum number of units that can receive the abatement will allow more units to be covered, but it will not have a fiscal impact during the financial plan period because the "Fiscal Year 2010 Budget Support Second Emergency Act of 2009" allocated \$5 million for this tax abatement each year beginning in FY 2013.²

Currently, six residential projects, totaling 2,248 units and approximately 2.2 million residential square feet, are either claiming the abatement or have received a reservation for the abatement from the Deputy Mayor for Planning and Economic Development.³ Analysis of the residential development pipeline for the NoMA area shows that by 2014 an additional 1.4 million square feet of residential housing, or 1,536 units, are expected to be delivered.⁴ If these projects also seek the residential abatement, there would be approximately 4.2 million eligible square feet, comprising over 4,000 units, which is well beyond what either cap can accommodate.⁵

Thus, under current law, the District would easily reach the maximum of 3,000 units in 2014, allowing abatements for approximately 3 million residential square feet at an annual cost of \$4.5 million. Lifting the cap on the maximum number of units would allow the District to subsidize approximately 300,000 additional residential square feet (a total of approximately 3.3 million square feet) within the annual cap of \$5 million. This cap would also be reached in 2014.

Because the budget and financial plan incorporates \$5 million for each year from FY 2013 through FY 2016 for this tax abatement, removing the total unit cap and allowing the \$5 million total dollar amount cap to govern the abatement will not have a fiscal impact.

² See Fiscal Impact Statement issued on October 8, 2009 for Bill 18-443. Available here:

http://app.cfo.dc.gov/services/fiscal_impact/pdf/spring09/FY2010_B.pdf

³ Residential projects are allowed to apply for the abatement in advance of project completion to ensure that they will receive the abatement once the project delivers, so long as they submit their application by December 31, 2012 and meet the eligibility requirements outlined in the law. The projects that have received a reservation so far are expected to deliver in 2013 according to project information available from the Washington D.C. Economic Partnership.

⁴ This estimate assumes the project at 2 M Street, NE would not apply for the abatement program, as it will receive a full real property tax exemption starting in FY 2015 pursuant 2 M Street, N.E., Real Property Tax Abatement Act of 2010, effective April 8, 2011 (D.C. Law 18-355; D.C. Official Code § 47-4648).

⁵ These projects are either currently under construction or expected to break ground in 2012.